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A GOOD YEAR AHEAD FOR FARMERS

With continued strong domestic demand, and with exports for the 1972/73 fiscal year gaining sharply to a predicted $10 billion, farmers can look forward to prices and incomes near the current record-high level through most of 1973.

Economic Scene

Gross national product boomed along at a 9½-percent rate of growth this year, and is likely to keep up that pace in 1973. Meanwhile, the rate of inflation has slowed, and will be near 3 percent for 1972.

An expanding economy will spell further gains in personal incomes, which will mean a further rise in domestic demand for farm products. Personal incomes will rise not only from pay checks, but also from income tax refunds of over-withholding and from the recent sharp increase in social security benefits.

The economy's output has been rising, and hiring gains will eat further into unemployment rates next year. At the same time, the boom has been putting pressure on the supply of funds, and short-term interest rates have been rising. These rates are likely to rise some more as the money market tightens, but conditions aren't likely to reach the "credit-crunch" point of 1969/70.

The consumer will continue record purchases of food in supermarkets and restaurants. Total food spending is rising about 5½ percent in 1972 and may top $124 billion, spurred food prices which are moving up a little over 4 percent. Prices of other goods and services, meanwhile, are rising about 3 percent.

The 1973 National Agricultural Outlook Conference has been set for February 20 through 22, at the U.S. Department of Agriculture in Washington, D.C. The central theme will be "The Future Structure of Agricultural Production and Marketing."

Farm Sector Improves

Turning from the general economy to the farm sector, the farm income outlook for the first half next year is for a continuation of the record-high level that 1972 has produced.

In the first half of 1972, livestock sales accounted for a rise in farmers' cash receipts, while crop returns about matched the year-earlier level.

Strong domestic demand for red meat and a cyclical decline in pork production continued. These developments teamed up with a slowing rise in commercial beef output to lift cattle prices to the highest levels in 20 years and result in record prices of beef at retail. In response, the Government removed quantitative restrictions on meat imports at midyear. These imports for all of 1972 are rising more than a tenth.

Farmers last spring planted less acreage to feed grains and food grains but more to soybeans and cotton. As a result of a summer of generally good growing weather, feed grain crops are turning out nearly as large as in 1971 and production is rising for soybeans and cotton. Although most crops did well, vegetable and non-citrus fruit output dropped. Nevertheless, aggregate 1972 crop output is moving up slightly to a new record.

Last summer, prices of wheat and feed grains were languishing until the USSR came into the market.

The Soviet Union's purchases, for delivery in fiscal 1973, are estimated at $1.2 billion, compared with about $150 million in the previous year. Most of the increased buying has been reflected in wheat, which may total around $660 million. Feed grains may total close to $400 million, and soybeans about $135 million. The buying reflects the Soviet crops failures and also the effort to improve the diets of their people.

DECEMBER HIGHLIGHTS

These purchases, together with increases in demand for U.S. products by our traditional customers overseas, and the entry of the People's Republic of China into the U.S. export market, sent U.S. food and feed grain prices upward sharply in the second half of 1972. In recent weeks, wet weather caused some delay in corn and soybean harvesting, and influenced prices during November.

Farm Income Record

With a sharply higher livestock price-level and a moderately higher crop level, farmers are receiving prices for all farm products about a tenth higher than last year. The higher prices are mainly responsible for boosting total cash receipts sharply, and Government payments are much larger, too. So gains in gross farm income will outpace an increase of almost $3 billion in farm production expenses, permitting realized net farm income to rise $2¾ billion over 1971 to nearly $19 billion.

The positive economic events of 1972 on and off the farm are raising disposable per capita incomes of farm residents from all sources over earlier estimates, to about $3,000. This is about four-fifths the average of nonfarm residents.

MORE LIVESTOCK

New production records are expected in 1973 for beef cattle, broilers, and turkeys. Output of hogs and milk also will rise. Egg output will be lower, though, and declines will persist for veal and lamb.

Red meat production this year is falling short of 1971's mark, at a time when incomes and population continue growing. Next year, however, producers plan more pork, which accounted for this year's dip, and feed cattle marketings are expected to continue upwards. The margin of increase over 1972 levels will widen for both cattle and hogs as mid-1973 is reached, and total red meat output will rise for the year.

The added cattle will come from a cattle inventory that is likely to be substantially larger next January 1 than the 118 million of last January. All of the increase in the inventory will be in beef animals. This portends a continued increase in beef output beyond 1973.

Even though there will be a few less dairy animals than last January 1, milk output will grow in 1973, as it did this year, because of larger output per cow.

MORE FEED

Feed grains and other feedstuffs are more abundant this season.

Feed Grain Record

Supplies of the 4 major feed grains total an estimated 246 million tons, 8 million tons over 1971/72's record supplies. Carryover into the current feeding season rose to 48 million tons, enough to offset the small reduction in feed grain crops to an estimated 198 million tons as of November 1.

Back in spring, farmers cut their planted feed grain acreage, and the acreage estimated for harvest this fall is the lowest of this century. Yet record-high yields have restored estimated production to within only 4 percent of last year's crop.

In recent weeks, prolonged wet weather delayed corn harvesting in much of the Midwest. Through mid-November, about half of the 1972 corn crop in this region had been harvested, compared with about four-fifths normally.

Supplies of high-protein feeds and hay are both 4 percent larger. Larger soybean meal and cottonseed meal supplies swell high-protein ranks, but total domestic and export demand is high, so prices will remain strong.

Hay production increased in most areas this summer, except where tropical storm Agnes cut a swath, and the 1972 U.S. crop reached 134 million tons. Strong demand indicates that comparatively high prices will continue through this season.

Feed Demand

More animals next year spell a bigger domestic need for feed grains, other feed concentrates, and hay. Favorable livestock prices, too, will tend to keep feeding rates at high levels.

After a sharp gain to 163 million tons last season, domestic uses of major feed grains could reach 170 million tons during 1972/73.

Export prospects are buoyed by large sales to the USSR, continued strong demand from Europe and Japan, and sharply reduced exportable supplies in other countries. U.S. feed grain exports during the 1972/73 feeding season could go 5 million tons over the 27 million tons we shipped last season.

Total feed grain needs, including exports, should exceed 1972 output of close to 200 million tons, and reduce ending stocks next summer about 4 million tons below 1972's 48 million tons.

CATTLE PRICES TO RALLY

Cattle prices gained during much of 1972, but have weakened this fall. Prices likely will go higher in the first half of 1973.

In recent weeks, Choice steers at Omaha brought $33.75 a hundredweight, close to the level of a year before. Early 1973 probably will see a renewal of price strength stemming from the continuing increase in shopping at the beef counter, as extra dollars from tax refunds, pay increases, social security benefits, and rising employment heighten demand.

This increased demand for beef should more than offset the effect of a small increase over a year earlier in total beef and pork supplies, predicted for the first half of 1973. Omaha prices in all likelihood will average above the $36 received during 1972's first half.

HOG FORECAST HINGES ON SUMMER

For hog prices, the summer of 1972 never quite came to an end, as the usual early-summer high price held on into fall.

Barrows and gilts at 7 markets were priced at $27.50 per hundredweight in early November—only $2.25 below the summer highs.

Favorable producer prices should continue for some months to come, since first-half 1973 pork production is likely to be slightly larger than the first half of 1972.

But the scene is likely to change by mid-1973. Farmers report they will have 7 percent more sows farrow in the December-February period than a year ago. Hog marketings in the seasonally light summer months next year thus are likely to top levels during the summer of 1972.

Prices next summer are likely to run below this year's July-September average of $28.75. And prices late next year will be under considerable pressure as slaughter supplies expand further.

EGG PRODUCERS RECOUP

Egg prices have strengthened in recent weeks and are well above the low levels of a year ago. Higher prices will continue into 1973, signaling some relief for producers from the distress levels encountered this year. Prices are down about 5 percent for all of 1972, reflecting large production, large stocks of egg products, and weak consumer demand.

Although strong gains in productivity stymied efforts to slow egg production early in 1972, continued heavy culling and reduced hatchings through August pulled output under 1971 levels. This trend will continue into the first half of 1973.

Egg prices, meanwhile, will take their usual decline in the April-June quarter next year, but first-half 1973 egg prices will remain over the low levels of a year earlier.

There's another cloud out ahead, however, portended by a recent rise in egg-type hatchings. Pullets from these hatchings will reach the laying flock next spring, and unless offset by sharply higher culling rates, they will push up second-half egg production, and push down prices.

GAINS DUE FOR POULTRY

After sharp expansion this year, both broiler and turkey producers have larger production slated for 1973.

Output of broilers and turkeys in 1972 will be up about 7 percent each.

Broiler prices have been trending up since midyear. Despite 1972's record rate of output, the 9-city wholesale price for ready-to-cook broilers is averaging a penny over the 27 cents a pound of 1971. Most of the gains have come during the second half, thanks to smaller pork supplies and generally higher red meat prices.

Broiler production will move ahead moderately during the first half next year. The hatchery supply flock will be a little smaller than the year before, limiting gains; but productivity from the flock will be greater, continuing the recent trend.

Broiler prices next year are likely to be higher than corresponding first-half 1972 prices. The same currently favorable factors will prevail: tight pork supplies, high meat prices, and rising incomes.

Turkey meat output through September outpaced 1971 by a record 10 percent, and disappearance of turkey meat through September was record large, 12 percent over 1971. This strong consumer acceptance has helped to return prices to above 1971 levels as the year has progressed, and is maintaining them there for the holiday quarter, even though turkey supplies are large.

Next year spells more turkey than ever. Production of turkey poults during August-October for early 1973 slaughter is up 15 percent. However, winter is the quarter with the lightest seasonal output. Turkey breeder flock owners in major States earlier planned to keep 2 percent more hens for 1973 poult hatchings. Turkey prices during the first half next year will exhibit their seasonal decline, but likely will remain over year-earlier levels.

SUPER SOYBEAN DEMAND

Soybean demand in 1972/73 is proving so strong that despite record production, current and futures prices are at new highs. Total usage is increasing, and the carryover next September 1 will once again be near this year's low 72 million bushels.

Supplies got a good boost this year. Including the small carryover of old-crop soybeans, but a crop estimated 15 percent larger on November 1, soybeans total 1.42 billion bushels. This is 12 percent above last year, and just a little under the record set 3 years ago.

Record soybean production and farm prices averaging around $3.25 per bushel are expected to raise the value of this year's crop a fourth to a record $4.4 billion.

Farmers' prices for soybeans so far this marketing year have averaged about $1 above the

CCC support rate of $2.25, because of strong demand, the small carryover on September 1, and a delayed harvest.

Crushings Up

Soybean crushings for the marketing year that started September 1 are forecast at around 765 million bushels, a new record. Spot soybean processing margins (based on Decatur bean, oil, and meal prices) so far this season are averaging about double September-November 1971. Demand for soybean meal is exceptionally strong. While soybean oil demand is relatively weak, it is proving stronger than earlier anticipated.

Soybean meal prices (44 percent-protein, Decatur) in 1972/73 are expected to rise to new highs, possibly averaging one-fifth above the record $90 per ton last season. This reflects the continuing tight demand-supply balance for high-protein feeds and reduced world availabilities of competitive fish and peanut meals.

Oil Outlook

Soybean oil prices in 1972/73 probably will average 10 to 15 percent below the 11 cents per pound (crude, Decatur) of the past marketing year. The major factor limiting the demand for soybean oil is sharply increased cottonseed oil supplies (up a third from last year).

The strong world demand for protein feedstuffs and the sharp reduction in Peruvian fish meal availabilities will keep soybeans moving abroad at a record clip. Also, increases in foreign crushing capacity will encourage greater usuage of soybeans abroad.

Exports of soybeans this marketing year are forecast to exceed 500 million bushels, about 100 million above 1971/72. About 40 million bushels of the prospective increase in exports this year will be to the USSR.

ORANGE CROP HUGE

Record orange production is in prospect for the 1972/73 season. The forecast of 124.5 million boxes of early, midseason, and Navel oranges is 30 percent greater than last year's crop. Valencia oranges are also expected to be more plentiful.

But demand could break records, too. Demand for oranges for use in frozen concentrated juice is apparently expanding fast. Fresh orange demand may benefit from the shorter supplies and higher prices for non-citrus fruit.

Prospects for grapefruit production indicate the 1972/73 crop will be a little less than the record-high level of last season. The smaller Florida crop will tend to offset above normal carryover stocks of grapefruit products. Fresh market prospects are favorable and are expected to be aided by a continuation of good movement into export markets.

Non-Citrus Crops Slump

Production of non-citrus fruit during 1972 is about 19 percent below a year ago. Fruits harvested and sold during the summer and early fall months account for most of the decline, so most price effects at the farm level have already been felt. However, processed product supplies have also been affected and higher prices are likely to prevail for most canned, frozen, and dried non-citrus items over the entire marketing season. The apple harvest is falling an estimated 7 percent below last season's production. Smaller crops in the East and Central States more than offset a substantial increase in the West, primarily Washington State.

EXPORTS ABSORB WHEAT OUTPUT

The 1972 wheat crop was down 5 percent, but the carryover was large enough to boost total supplies 2 percent, to nearly 2½ billion bushels at the start of the 1972/73 season. That volume would have spelled a surplus in most years.

But exports are turning things around. At about 1.15 billion bushels, they will be up a third from the old record set in 1965/66. Mainly responsible are purchases of around 400 million bushels by the Soviet Union, a record for a single-country purchase of U.S. wheat.

As the export story unfurled during the summer, farm prices advanced from $1.32 per bushel in July to $1.89 in October, the highest level for that month in nearly a decade. Prices are likely to average 30-35 cents over the $1.25 loan rate this season.

A sharp dent in wheat feeding will reduce total domestic wheat use to 9 percent below the 874 million bushels of last season. The expected decline in wheat feeding reflects the higher wheat prices relative to feed grain prices, although wheat feeding was relatively heavy in July-September.

The anticipated export record should lift total U.S. wheat disappearance to an estimated 1.94 billion bushels, also a record. This level of utilization suggests a carryover of around 485 million bushels at the end of 1972/73, the least since 1967.

The next Agricultural Outlook Digest will be the Outlook Conference Issue appearing in February 1973.